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re Proposed Guidelines: Compliance Guidelines for Fund Managers (ed_v01,
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Claire Barnes is a fund manager at AIMS Asset Management Sdn Bhd; these preliminary comments are given in a personal capacity and do not represent the considered views of the firm.

18.15 The use of any broker/dealer for a portfolio should not exceed 50% of the portfolio's dealings in value in any one financial year of the portfolio concerned

- ? This is unduly restrictive and takes no account of (a) possible client preferences; (b) the very common 'prime brokerage' structure which is based on the expectation of handling 100% of trades, with provision for 'trading away' only in exceptional circumstances (e.g. non-coverage of a market by the prime broker); (c) the saving of custody charges and greater administrative security of prime brokerage arrangements for small portfolios.
- ? It would be better to require the officers of the fund manager to consider concentration of order flow, and to be able to explain any concentration over 50%.

18.19 Cross trades between staff personal accounts or proprietary accounts and client accounts are prohibited

- ? The second part, fine; between staff personal accounts, why?

18.21 The Fund Manager must:

- i) Design and establish a formal written policy on managing conflicts of interest...
- ? Conflicts of interest must always be handled carefully but requiring a policy to be formulated in the abstract is unlikely to help.

18.36 proprietary transactions must be conducted through a separate licensed Fund Manager Representative who must not also be managing client funds

- ? This is too restrictive, as it may preclude all but the largest firms (which can afford a dedicated employee for the purpose) from allocating their own capital.

18.37 (b) Each employee of the Fund Manager must obtain written approval of a Director of Fund Manager to trade.

- ? Too restrictive. Should allow each firm to specify a list of individuals who may approve each transaction, including for example the compliance officer. Similarly for 18.30 re directors.

18.46 The Fund Manager must maintain written portfolio valuations daily

- ? Too restrictive, should be left to each client to determine. If the client is happy with monthly or quarterly valuations, as many funds are, and wants the portfolio managed on a long term basis, no reason to collect irrelevant data.

18.51 A Fund Manager should provide each client directly with:

i) A regular statement of account, at least monthly, of the client's portfolio and transactions undertaken on his behalf

- ? If a custodian or administrator has been appointed, this will be part of their role; the fund manager would be a less appropriate source of such information, and duplication should be avoided.

18.51 ii) A regular report, at least monthly, of the composite performance of similar funds and of the appropriate benchmarks

- ? Not all clients will want this; a report of the benchmarks could be offered but should not be required. It is inappropriate to include 'similar funds'; the regulator should not be encouraging management against the peer group, which can lead to short-termism and herding.

18.54 A Fund Manager should: (1) Provide written portfolio valuations

- ? unless provided by custodian or administrator. See above.

18.57 A Fund Manager should ensure that all advertisements and marketing materials are approved by the Securities Commission before issue.

- ? An unnecessary burden on SC staff and an unnecessary delay for the fund manager and client; answerability to the SC and clauses 18.58A-18.60 suffice.

18.83 The Fund Manager must allocate and spend at least 5% per annum of its gross salaries expense on training for its employees

- ? All businesses must provide for training and career development in order to prosper, but effective arrangements vary for each firm and a bureaucratic requirement is inappropriate.

Appendix 1: Guidelines for the Portfolio Valuation of Debt Securities

- ? This entire section should, at most, be confined to the valuation of Malaysian debt securities, and should not override valuation methods prescribed by individual funds or their administrators.